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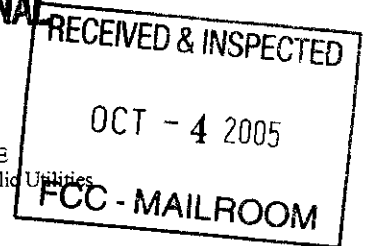
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Director, Division of Public Utilities

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September 9, 2005

TO: PUBLIC SERVICE COMMISSION

FROM: DIVISION OF PUBLIC UTILITIES

Constance B. White, Director *CBW*
Wes Huntsman, Manager, Telecommunications *WesH*
Casey J. Coleman, Utility Analyst *CJC*

Re: In the Matter of State Certification of Non-Rural Carriers' Compliance with 47 U.S.C Section 254(e)

CC Docket No. 96-45, In the Matter of Federal-State Joint Board on Universal Service

Annual State Certification Pursuant to 47 C.F.R. §54.316

RECOMMENDATION:

The Commission should send letters to the Federal Communications Commission (FCC) and Universal Service Administrative Company (USAC) indicating that the rates charged by non-rural carriers in rural parts of the State of Utah are reasonably comparable to urban rates nationwide.

ISSUE:

In an order released in October of 2003, the FCC adopted an annual State certification requirement that is due October 1, 2005. Pursuant to section 54.316 of the FCC's rules, each State is required annually to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers (ILECs) to urban rates nationwide, and to certify to the FCC and the USAC as to whether the rates are reasonably comparable.

BACKGROUND:

On October 27, 2003 the FCC issued an Order on Remand, Further Notice of Proposed Rulemaking, and Memorandum Opinion and Order CC Docket No. 96-45. In that Order the FCC asserts that States must certify that rates for non-rural ILECs are reasonably comparable to urban rates nationwide. In that same Order the FCC gave some direction as to how they would determine the "reasonably comparable" term. Their definition is as follows:

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“[W]e also adopt a more precise definition of ‘reasonably comparable’ rural and urban rates for purposes of assessing the sufficiency of the non-rural high-cost support mechanism. Specifically, for purposes of the non-rural mechanism, rates in rural areas will be presumed to be ‘reasonably comparable’ to urban rates if they deviate no further than two standard deviations above the national average urban rate in the Bureau’s *Reference Book*.”

In the same Order the FCC allowed for State Commissions to use a “safe harbor” provision to determine if rates were “reasonably comparable”. The FCC allows “a state whose rates in rural, high-cost areas served by non-rural carriers are at or below the national urban rate benchmark may certify that its rural rates in areas served by non-rural carriers are reasonably comparable to urban rates nationwide”

The nationwide urban benchmark for the upcoming certification period is \$34.21. In the State of Utah we only have one ILEC carrier that would be considered a non-rural carrier serving in rural areas, which is Qwest.

Currently for basic residential phone service Qwest charges customers \$11.00 plus a varying rate for EAS service. Clearly Qwest’s rates would fit the safe harbor definition because the rates charged are below national benchmark of \$34.21.

Because of this the Division recommends that the Commission sends a certification letter by the October 1, 2005 deadline to the following addresses indicating that are rates are “reasonably comparable”.

Karen Majcher

Vice President of the High Cost and Low Income Division
Universal Service Administrative Company
2000 L Street, NW, Suite 200
Washington, DC 20036

Marlene H. Dortch

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